

At Shoptalk, retailers ponder the future of brick-and-mortar groceries

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Jeff Wells



Consumer adoption of online grocery shopping is accelerating and could become a \$100 billion business in the next four years, Nielsen and the Food Marketing Institute estimate. That's made e-commerce a top priority for supermarkets. But John D'Anna, chief strategic officer of Brookshire Grocery Company wants to know: What is the future of the brick-and-mortar stores that defined the business for the last century?

“As retailers, we have large investments in lands and buildings and assets in our stores, and that’s not something we can get rid of,” he told attendees during a panel at this year’s Shoptalk conference in Las Vegas.

Retailers know they need to move online, but at the same time they don’t want to lose focus on their bread and butter — the nearly 40,000 supermarkets dotting the United States. Seamlessly integrating the store experience with online — commonly known as omnichannel retailing — is a goal for many, but what exactly does that look like? How can retailers pursue online sales while still keeping their stores relevant?

“We have got to engage the senses”

The retailers and industry thought leaders that gathered in Las Vegas last week had various answers to these questions. But they all came back to one common conclusion: Stores need to evolve.

Amin Maredia, CEO of Sprouts Farmers Market, said grocers need to focus more on their fresh assortment, including prepared meals and produce. That's what Sprouts has been doing, and it's paid off for the company. New soup, sandwich and other enhanced deli offerings lift sales at new and existing stores.



Amin Maredia

Credit: [Sprouts Farmers Market](#)

Grocers that will win in today's competitive environment, Maredia said, will offer meal solutions first and foremost. Shoppers are looking less to supermarkets for stock-up trips, he said, and more for quick lunches and dinners.

"The days of buying 30, 40, 50 items will continue to shrink," he told attendees during a Shoptalk panel discussion.

Other retail executives talked about enhancing the store experience. Many pointed out that although shoppers are migrating online quickly, they still overwhelmingly prefer to walk the aisles and hold products in their hands before they buy.

"One thing you cannot replace with digital is the senses," said D'Anna. "We have got to engage the senses inside the stores."

This includes making sure produce is as ripe and colorful as possible, and getting employees to engage with customers and answer their questions. Retailers also added new services to stores, like produce butchers and in-store dining options. Hy-Vee operates Market Grille restaurants adjacent to many of its stores, while other retailers, including Whole Foods, have added on-site bars.

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Despite not being retailers' forté, technology also plays a significant role in enhancing the store experience and linking it to the online space, executives said. Kroger's new shelf edge technology displays custom promotions and pricing along digital displays, linking to customers' smartphones. Annette Franke, Kroger's vice president of technology, called the experience "seamless," but admitted that seamless doesn't come easily for large, legacy retailers.

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Yael Cosset, Kroger's chief digital officer, said the grocer is looking at augmented reality technology that can provide additional product information to in-store shoppers. Concept stores have cropped up around the world in recent years, including Italy's Coop Italia, which features interactive displays adjacent to many products.

"Customers have a hunger for more data about products online and in-store," Cosset said during a panel discussion.

Retailers are also finding that mobile apps can effectively bridge online and offline worlds. BJ's Wholesale Club's new app offers features that include online ordering as well as store navigation tools, digital coupons, list builders and a deli order-ahead tool. Rafeh Masood, the company's chief digital officer, said the company wanted to add value to its membership and make shopping easier — and it wanted to do so quickly, in order to get ahead of the competition.

Masood created a special digital team for the project, introduced new workflow systems and prioritized a few high-value projects over a long list of assets. It took the team just five weeks to introduce the new app to customers.

"We have embraced what we call 'ruthless prioritization,' which says you always have to know what your next number one priority is," he said during a presentation.

Creating a "seamless" experience

The majority of consumers that shop online don't do so exclusively. According to a [recent survey](#) from The Hartman Group, 29% of consumers said they had shopped for groceries online in the past three months, while 86% said they had shopped a brick-and-mortar store during the past month.

Shoppers like to visit stores for certain products and what retailers refer to as varying "need states" — like needing a few groceries on their way home from work. Done right, industry observers say, e-commerce can actually drive shoppers to spend more inside stores.

That's been Kroger's experience. The nation's largest grocer offers online ordering and store pickup at more than 1,000 stores through its ClickList program. It recently expanded home delivery to 45 markets across the United States. Cosset said his team has found that the more consumers use Kroger's website and online shopping options, the more they visit physical stores.



Annette Franke

Credit: [Kroger](#)

Cosset said most of Kroger's online shoppers are omnichannel shoppers. Building a compelling e-commerce experience can increase brand loyalty, lifting sales from all points. Younger consumers, he said, are digitally savvy and enjoy online shopping, but are "anchored" by the store experience, he noted. They want to buy specific brands from Kroger stores.

"The more digitally engaged you are with Kroger, the more you buy, the more you come into stores," he said. "Our customers are telling us it's not one or the other."

Wakefern Food Corp., a retail cooperative whose members include ShopRite and Price Cutter, found that shoppers prefer to buy certain products online and others in-store. Cheryl Williams, Wakefern's chief information officer, said sifting through consumer data has helped the cooperative's stores identify opportunities to work with its vendor partners on promotions and pricing.

Wakefern, which launched online shopping back in 2002, offers the same products, pricing and promotions online as it does in stores. This, said Williams, allows shoppers to easily switch between the two channels without feeling they're sacrificing anything.

"We really want to make sure the consumer has a seamless experience," she said during a presentation.

However, investing in online shopping and delivery can be very difficult for retailers. Competition in the space is fierce, profit margins are thin to nonexistent, and

consumers have a way to avoid stepping a foot inside stores.

As Target CEO Brian Cornell put it during his keynote discussion, “Why forfeit the sales that come with discovery, which is such a big part of our store sales?”

This was a key question for Cornell and his executive team leading up to Target’s acquisition of Shipt, which will expand same-day delivery across the retailer’s 1,870 stores this year. Ultimately, Cornell said, the company needed to keep pace in a fast-changing industry, and decided to acquire a service that he said offers outstanding customer service.

In addition to its Shipt rollout, Target is also expanding store pickup to 1,000 stores this year, and will begin offering free two-day shipping from its backrooms. It’s an aggressive deployment that will make Target a major online retailer by the end of this year.

For independent grocers — most of whom don’t have the resources to compete with Target, Walmart and Amazon on e-commerce — online shopping is primarily a defensive move. As they look to the future, they wonder how technology and online shopping can play to their core strength.

“I think a lot of brick and mortar companies need to be saying, 'What is our digital strategy to engage the customer and bring them back into the store?' ” said D’Anna.